

VZCZCXRO1477
RR RUEHDBU
DE RUEHMO #2890/01 3311129
ZNY CCCCC ZZH
R 271129Z NOV 09
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC 5514
INFO RUCNCIS/CIS COLLECTIVE
RUEHDX/MOSCOW POLITICAL COLLECTIVE
RHEHNSC/NSC WASHDC
RUEAIIA/CIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 002890

SIPDIS

E.O. 12958: DECL: 11/26/2019
TAGS: [PGOV](#) [PREL](#) [PHUM](#) [PINR](#) [ECON](#) [KCOR](#) [RS](#)
SUBJECT: RECIPROCAL REPULSION: MOSCOW MAYOR LUZHKOV VERSUS
GOVERNOR GROMOV

REF: MOSCOW 2450

Classified By: Political Minister Counselor Susan Elliott. Reason: 1.
4 (b), (d).

¶1. (SBU) Summary: Moscow Mayor Yuriy Luzhkov and Moscow Oblast Governor Boris Gromov are both from the ruling United Russia party. Initially close allies, hostility developed between them as they rose to power and competed for influence, attention, and resources. The two leaders not only have personality clashes, but they have had long-standing disputes over taxes, housing, and land in their respective spheres of influence. Pundits agree that Luzhkov is the stronger leader, but there is speculation that President Medvedev could remove both of them. Critics say that sacking them would be a precursor to a merger between the Moscow city and oblast. On October 28, LDPR's ultra-nationalist leader Vladimir Zhirinovskiy formally proposed to unite the two entities into one "subject." Given the complexity of the leadership in Moscow city and oblast, such a radical move seems unlikely in the near future. End Summary.

Personality Clashes

¶2. (C) It is well-known that Luzhkov and Gromov do not get along. Georgiy Prokopov, an expert on regional studies, told us that Luzhkov is more of a politician than Gromov, a retired general who commanded the Soviet troops in Afghanistan. Some allege Gromov is an oligarch, but his money and businesses are hidden from public scrutiny. Regional Expert Aleksey Titkov told us that Gromov is authoritarian, corrupt, and does not govern in a transparent matter. According to independent regional analyst Aleksandr Kynev, Gromov created a criminal structure around him with veterans of the Afghan War. Kynev told us that Gromov and Luzhkov are like "two boots," both involved in criminal businesses with land and real estate, the most important businesses for both Moscow city and Moscow oblast. Kynev said that it is impossible to get rich in Moscow city or oblast without criminal activity and that within each area there are different factions.

Conflict Between the Moscow City and Moscow Oblast

¶3. (C) Part of the tension between Luzhkov and Gromov relates to taxes. People who work in the city of Moscow, but live in Moscow Oblast pay Moscow city taxes. Regional Expert Aleksey Titkov told us that Luzhkov and Gromov want to control the tax revenues from the airports and mega malls located in the Moscow oblast. The city of Moscow does not receive tax revenues from the mega malls located on Moscow region territory. Luzhkov maintains that most of the mall shoppers are from the Moscow city, therefore tax revenues

should be shared. The airports, Sheremetyevo, Domodedovo, and Vnukovo, were all registered in Moscow region until 2003 when Putin signed a decree transferring 60.88 shares of the Vnukovo airport to the Moscow city government. Vnukovo is now considered property of the city of Moscow even though it is located in the oblast. In 1995, Luzhkov tried unsuccessfully to make Sheremetyevo airport a Moscow city property. It is clear that Luzhkov would like to benefit from the large tax revenues generated by the airports and malls located in the oblast.

14. (C) Another point of contention between Luzhkov and Gromov is their direct competition over land. They are each linked to construction companies. Luzhkov's source of revenue is his billionaire wife Yelena Baturina's company, Inteko. He is also connected to the SU-155 construction company, which is a conglomerate of many smaller companies. SU-155 has been expanding rapidly all over Moscow and in other regions of Russia. It has 28 plants producing construction materials in 17 Russian cities. There is no official information about Gromov's companies, but it is widely rumored that he controls or has significant personal financial interest in some construction companies. He initiated an association called "War Fraternity" or "Combat Brotherhood," depending on the translation, with his cronies who served in Afghanistan. This group is firmly established in business and politics and it is assumed that he funnels his money through this channel to invest in construction.

Proposal to Merge the City and Region

MOSCOW 00002890 002 OF 002

15. (C) When Zhirinovskiy proposed to unite Moscow city and Moscow oblast into one "subject," he argued that the city and region used to be one before Stalin divided them into two. He tried to make the case that a merger would cut the bureaucratic staff and help fight corruption, while saving budgetary money. Zhirinovskiy called for a "Minister for the Federal Center" appointed by the President to lead Moscow. Luzhkov has been supportive of the idea to unite the city and region into an area of 20 million people, but Gromov does not agree. On October 30 Gromov made a statement against the merger, saying that he saw no point in such a union. Prokopov told us that this project may go forward in five to ten years, but there are no immediate plans. In a Nezavisimaya Gazeta article, State Duma Deputy Gennady Gudkov said, "no one will rehash the map of Russia. This is all just talk." Mariya-Luiza Tirmaste, a journalist at Kommersant, told us that neither Luzhkov nor Gromov wants to merge the Moscow city and region. She claimed that Vyacheslav Surkov in the Kremlin is pushing this agenda as a way to resolve traffic jams, fix roads, and cooperate in other ways. Tirmaste told us that a leader for such a region would have to be an incredibly strong person and she doubted that such a merger would happen anytime soon.

Comment

16. (SBU) Luzhkov and Gromov initially were bedfellows, but financial issues drove a wedge between them. Both are resisting any suggestions, let alone potential attempts, to ease them from power; we do not see them being ousted in the immediate future. It is unlikely that the Moscow city and region will merge in the near future, but later the Kremlin could appoint a governor to replace both Luzhkov and Gromov. There are rumors that First Deputy-Prime Minister Sergey Sobyanin, First Deputy Igor Shuvalov, Deputy-Prime Minister Zhukov or Kozak would accept the job. While these officials might be competent to manage the huge challenge, none of them brings the political clout that Luzhkov and Gromov combined now exert.
Beyrle